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UNCLAS LAGOS 001383

SIPDIS

STATE PASS TO EXIM, OPIC AND TDA  
LONDON AND PARIS PASS TO AFRICA WATCHERS  
KABUL PASS TO SROSS  
DIA/J2 PASS TO GHAYES

E.O. 12958: N/A

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SUBJECT: Nigerian Crude Not Yet Flowing from Total -  
Other Union Actions Pending

1. Contrary to media reports that an agreement between the French oil company Total and Nigeria's white-collar oil workers union PENGASSAN has been reached allowing for immediate resumption of the company's crude oil production, O.B. Haffner, Corporate Affairs Manager for Total Nigeria, told ECONOFF on Thursday morning, July 8, that there is no final agreement between the parties and that production has not resumed. He suggested negotiations are ongoing and may be close to resolution, and said he would have a clearer indication of their progress and possibly a timetable for restarting production by 3:00 p.m. local time on July 18.

2. On Wednesday evening, July 7, Haffner reiterated the company's public statements that oil production was halted as a precautionary measure due to a "degraded safety situation" resulting from a union dispute over perceived inequities involving expatriate versus Nigerian hiring for high-skill jobs. Haffner told Econoff Wednesday morning that the company expected to be pumping crude again by the end of the weekend or early next week.

#### OTHER PENDING UNION ACTIONS

3. Meanwhile, the umbrella union organization Nigeria Labour Congress (NLC) publicly softened its position on a threatened industrial action over the state of the nation's refineries after what were deemed fruitful discussions between the NLC and GON officials regarding pension reform. But simultaneously, the NLC issued new strike warnings in conjunction with fuel prices. NLC representatives were quoted as saying prices have risen contrary to a court ruling of mid-June that resolved a two-day nationwide strike over the consumer price of gasoline.

4. ExxonMobil and PENGASSAN continue to negotiate contracts, and company officials have publicly stated their confidence that negotiations will conclude amicably. PENGASSAN issued a 21-day ultimatum on July 5, promising industrial action against the company for failure to conclude collective bargaining.

5. COMMENT: In the past, the major oil companies operating in Nigeria have generally avoided crude production and lifting interruptions as a result of disputes with the white-collar union PENGASSAN. At times, PENGASSAN employees working at corporate headquarters have engaged in work-to-rule actions, which slowed administrative functions, but outright closure of production has been rare in recent years. The disclosure in today's newspaper the Guardian that ExxonMobil's Managing Director Mike Fry is leaving Nigeria may give PENGASSAN room to claim a victory, as Fry was blamed for stalled collective bargaining negotiations. The resumption of talks yesterday suggests that both sides are ready to conclude this round of contract negotiations without incident. Nonetheless, the closure of Total's production this last week stands as a reminder that the ongoing struggle for greater local content and hiring in the petroleum sector, during a trend of company restructuring and streamlining, may have an impact on corporate and government coffers. END COMMENT.

KRAMER